2023 IPC New York Research Symposium

Ropes & Gray, 1211 6th Ave, New York City, NY
April 26, 2023

12:30 – 12:45 Check-in

12:45 – 1:00 Welcome

1:00 – 2:45 **Session I: Performance Drivers in Alternative Investments**
Session Chair: Greg Brown, *UNC Kenan-Flagler Business School*

Diseconomies of Scale in Alternatives: What do we know? [Presentation]
Some alternative asset classes exhibit evidence of lower returns as fund size grows suggesting diseconomies of scale. However, certain strategies such as venture capital do not appear to experience such declines in performance. This analysis summarizes historical studies and provides updates based on the most recent data.
Greg Brown, *UNC Kenan-Flagler Business School*

Diverse Hedge Funds [Paper] [Presentation]
Hedge fund teams with heterogeneous educational backgrounds, work experiences, nationalities, genders, and races, outperform homogeneous teams by 3-8% per annum after adjusting for risk. Diverse teams deliver superior returns by arbitraging more stock anomalies, avoiding behavioral biases, and eschewing downside risks.
Yan Lu, *University of Central Florida*
Narayan Naik, *London Business School*
Melvyn Teo, *Lee Kong Chian School of Business, SMU*

Panel Discussion: Determinants of Expected Returns in Alternatives
Moderator:
Bruce Phelps, Ph.D., *Managing Director, PGIM*
Panelists:
Lisa Larsson, Ph.D., *Managing Director of Portfolio Management, StepStone*
Juliana Hadas, *VP Alternatives Capital Markets & Strategy, Goldman Sachs*

2:45 – 3:15 Networking Break

3:15 – 5:00 **Session II: Allocating to Private Assets**
Session Chair: Christian Lundblad, *UNC Kenan-Flagler Business School*

Private Equity for Pension Plans? Evaluating Private Equity Performance from an Investor's Perspective [Paper] [Presentation]
Applying our alpha metric to U.S. public pension plans we find that: a) during our sample period, pension plan allocations to private equity funds were optimal overall, although the average plan was underexposed to buyout; b) plans invest in PE funds that have higher risk-adjusted performance, but this is because of some pension plans' superior access to successful private equity funds, c) the higher returns obtained by some pension plans in their private equity investments appear to be the result of a higher willingness to take risk rather than a manifestation of timing or selection.
Arthur Korteweg, *USC, Marshall School of Business*
Stavros Panageas, *UCLA Anderson School of Management*
Anand Systla, *UCLA Anderson School of Management*

Desperate Capital Breeds Productivity Loss: Evidence from Public Pension Investments in Private Equity [Paper] [Presentation]

This study examines the effects of private equity (PE) buyouts on labor productivity using novel micro-data on investments in PE funds and PE buyout deals, combined with confidential Census data. I show that while PE increased productivity at target firms until 2011, it substantially decreased productivity post 2011. In the time series, the decrease in labor productivity is correlated with an increase in capital from the most underfunded public pensions. In the cross-section, I show that firms financed predominantly by the most underfunded public pensions experience a -5.2% annual change in labor productivity, as compared to firms financed by other investors which experience a +5.2% annual change.

Vrinda Mittal, *Columbia Business School*

Panel Discussion: What should public plans consider when allocating to PE?

Moderator: Nicholas Crain, Ph.D., *Vice President, Quantitative Research, BlackRock*

Panelists:

Barry Griffiths, Ph.D., *Partner, Ares Management*

Bryan Lewis, *Chief Investment Officer, US Steel*

5:00 – 6:00 Reception

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